
From: Ed Walczak
Sent: Tuesday, August 26, 2014 11:55 PM
To: Jerry Szilagyi; Erina Ford
Subject: Re: Catalyst Heded Futures Fund

See my comments below.

Edward S. Walczak
Senior Portfolio Manager
Catalyst Heded Futures Strategy Fund
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From: Jerry Szilagyi <JerryS@catalystmutualfunds.com>
Date: Monday, August 25, 2014 5:33 PM
To: Erina Ford <Erina.Ford@RaymondJames.com>
Cc: Ed Walczak <EdWalczak@catalystmutualfunds.com>
Subject: RE: Catalyst Heded Futures Fund

Hi Erina,

We don't have a standard due diligence questionnaire although we have filled them out for various platforms that added the fund. We do have the attached investor presentation however.

Ed would be the best one to answer your other questions. Ed, can you reach out to Erina when you have a moment.
Thanks,
Jerry

Jerry Szilagyi
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From: Erina Ford [<mailto:Erina.Ford@RaymondJames.com>]
Sent: Monday, August 25, 2014 12:54 PM
To: Jerry Szilagyi
Subject: Catalyst Heded Futures Fund

Hi Jerry,

I hope you've been well. As you may know, we had a conference call with Ed a few weeks back and continue to receive questions on the fund from our advisors. While at this point we have not made a decision to move forward with the fund yet, I'd like to understand the strategy better so that we can maybe revisit our decision on whether or not we want to offer the fund on our platform. To this end, I was hoping that you had a Due Diligence Questionnaire that you could forward to me for review. In addition, answers to the following questions would be greatly appreciated.

On our call with Ed, he mentioned an 8% max drawdown limit that is carefully monitored. Can you provide more details on the nature of this risk mitigating tool and illustrate how it would perform in various market

environments? Individual position risks are identified (time, price, volatility) and hedged with counterbalancing options at entry. Individual positions are aggregated to an options pricing tool that models portfolio value stressed by +5%, +10%, -5%, -10%, -20% price excursion, VIX +10, +20, across 5 time horizons extending to the Portfolio's longest dated options expiration. Absolute drawdown of 8% from high water requires flattening of risk, no discretion allowed. Performance in various market environments is illustrated by the Fund's monthly return history.

Please provide historical monthly attribution by strategy (premium collection, vol. trading, trend following) I don't keep quantitative attribution statistics. Qualitatively by year, 2006: 80% PC 20% TF, 2007 30% PC, 40% TF, 30% VT. 2008: 80% VT, 20% PC 2009: 20% PC, 30% VT, 50% TF. 2010: 20% PC, 30% VT, 50% TF, 2011 20% PC 50% VT, 30% TF. 2012 10% PC, 10% VT, 80% TF. 2013 10% PC, 10% VT, 80% TF. 2014 10% PC, 10% VT, 80% TF.

Ed explained the use of position limits on the call, but we seem to have some discrepancies in our notes, so please discuss the fund's position limits again and the overall number of contracts that are used. Call option open positions are limited to 2 per \$40K of Fund capital. Positions defined as spreads which may have as many as 4 legs (contracts). Put options positions limited to 3 per \$40K capital where positions are defined as the number of short put options independent of the number of long puts associated with the spread. Risk limits require no less than 1 long put per each short put, but most often the ratio of long to short puts is greater than 1.

Please let me know if you have any questions.

Thanks,

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